GROUP6 METALS LIMITED

ASX ANNOUNCEMENT

31 July 2023

Quarterly Activities and Cash Flow Report to 30 June 2023

Highlights

- **Commercial concentrate production commenced at G6M's Dolphin Tungsten Mine and ramp up to nameplate capacity of 400,000tpa of ore processing is underway**
- **First shipment of high grade tungsten concentrate dispatched from Dolphin Tungsten Mine post quarter end**
- **Maiden mineral reserve estimate achieved at Bold Head, with high-grade Probable Reserve of 0.45Mt @ 0.9% WO3[1]**
- **Overall Probable Reserve increase of 10% to 4.87 Mt @ 0.9% WO3. 400,000 mtu adds a further 10% of production to high-grade project life**
- **Successful raising of $30.7 million through $27.0 million Placement and $3.7 million via Share Purchase Plan, receiving strong support from significant shareholders**
- **Funds were raised at $0.14c per share, and participants in the Placement and SPP received two free options for every 3 New Shares subscribed for, with an exercise price of A$0.21 and an expiration date of 30 June 2025**
- **$9.0 million in cash and $1.9 million in undrawn debt facilities as of 30 June 2023 with a further $4.2million received in July from the Share Purchase Plan**
- **No lost-time injuries (LTIs) or reportable environmental incidents were recorded during the quarter**

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[1] *Refer to JORC tables, qualifications and competent persons statements in ASX announcement dated 26 June 2023*

Level 26, 259 George Street, Sydney NSW 2000
+61 (0) 2 8622 1402 | info@g6m.com.au

Group 6 Metals Limited (**ASX: G6M**, "**Group 6 Metals**" or the "**Company**") is pleased to report on its activities and cash flow for the quarter ending 30 June 2023.

Dolphin Tungsten Mine Activities Update

The Company's wholly owned Dolphin Tungsten Mine ("DTM") is one of the highest-grade tungsten deposits outside of China. The DTM has direct private access to the Port of Grassy, King Island, through which it now exports high-grade tungsten concentrates to its major offtake partners in Europe.

Tungsten is a critical mineral used in various applications, including steelmaking, mining, construction, electronics and defence. The global demand for tungsten is expected to grow significantly in the coming years, driven by demand from the building, mining, and defence sectors and new applications in the battery and technology sectors.

During the quarter, the Company achieved a key milestone in successfully producing its first tungsten concentrate. This is the first step by G6M in supplying the increasing demand for tungsten and its goal to become a leading producer.

Figure 1 – Stockpile inventories of saleable tungsten concentrate building at the Dolphin Tungsten Mine

The process plant achieved 70% runtime, processing over 10,000t of low to medium-grade ore at an average grade of 0.3% WO3, producing approximately 10 tonnes of saleable tungsten concentrate in late June/ early July 2023. Preliminary site assays indicate that the concentrate had achieved an average grade of 55% WO3 and a maximum of 68% WO3. The concentrate was loaded into a container in mid-July 2023 and dispatched for the Company's first concentrate sales, marking another significant milestone for Group 6 Metals.

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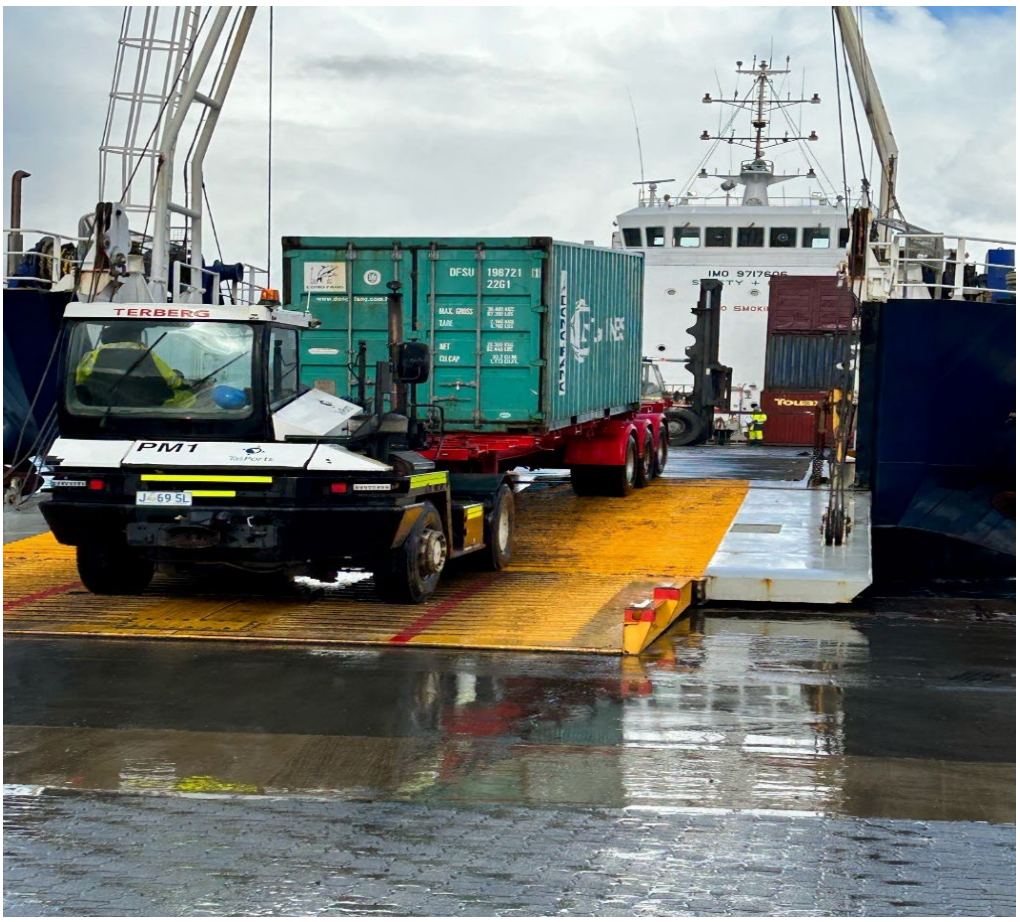

Figure 2 – Loading the first container of tungsten concentrate onto the vessel.

During the quarter, the site team completed commissioning and achieved hand over of the process plant to the G6M operations and maintenance teams. Now the focus for the coming quarter will be on increasing output and optimising performance. Achieving production at a grade that meets contractual offtake specifications, including part of the flow sheet unique to the Dolphin Tungsten Mine, means G6M has achieved the full-scale confirmation of the flow sheet.

The Company commenced drilling in July and completed initial seed blasting trials on 25th & 26th July prior to commencing production blasting in early August. Shortly following, run of mine ore is expected to be delivered to the process plant, which will improve the performance of the plant by increasing ore head grade.

Figure 3 - Maxfield Drill & Blast Rig mobilised to site

Figure 4 - Maxxam Explosives Truck mobilised to site.

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Figure 5 - Commencement of drilling on the north cut back of the Dolphin open cut.

The Company held an open day at the Dolphin Tungsten Mine on Sunday, 2nd July. This allowed the local community to tour the project site and inspect the progress achieved since construction started in early 2022. Over 180 residents attended, and the project received a very positive response.

Figure 6 - Photos from Dolphin Tungsten Open Day, 2nd July 2023

In the September quarter the company expects to ramp up mining operations from the Dolphin Open cut and continue steady ramp-up of throughput through the process plant, improving plant utilisation and recovery. The plant has produced high grade concentrate in the initial weeks of operation which is very encouraging ahead of receiving high grade run of mine ore from the Dolphin open cut.

Bold Head Maiden Mineral Reserve Estimate

During the quarter, the Company completed a study to include the Bold Head Mine in the reserve inventory and projected the mine life of the DTM. The Bold Head Mine is a satellite deposit located 2km north of the Dolphin process plant and has similar geology and mineralogy to the larger Dolphin Tungsten Mine.

The Bold Head Reserve and Prefeasibility Study (PFS) has been estimated in compliance with the requirements of the reporting guidelines of the 2012 Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the JORC Code 2012) which are aligned to the Committee for Mineral Reserves International Reporting Standards Definitions (the CRIRSCO Standard).

Location	Mtonnes	WO_3 %	Mmtu
Dolphin OC (0.2% WO_3)	2.93	0.8	2.23
Dolphin UG (0.7% WO_3)	1.50	1.2	1.86
Bold Head OC (0.7% WO_3)	0.05	1.0	0.05
Bold Head UG (0.7% WO_3)	0.39	0.9	0.35
Total Probable Reserve	**4.87**	**0.9**	**4.49**

Table 1. Dolphin and Bold Head Probable Reserve (with cut-off grade)

Note: Rounding errors may occur. Refer to ASX: KIS 16 December 2020 for Dolphin Probable Reserve Estimate and JORC 2012 competent person statements and ASX: G6M 26 June 2023 for Bold Head Probable Reserve Estimate and JORC 2012 competent person statements.

The proposed operation involves mining the open-cut high-grade remnant before returning to the old underground mine. The mine is scheduled to produce approximately 100ktpa over 4.5 years which is expected to provide additional throughput to the Dolphin Processing Plant, increasing WO3 output ahead of the commencement and transition to the Dolphin underground mining operation. Prefeasibility studies involving processing of the Bold Head ore through the Dolphin plant later in the mine life provide positive results with EBITDA of $56.5M, NPV of $14.4M and IRR of 51%[2].

Future work is planned, including geotechnical and resource extension drilling and a definitive feasibility study.

Tungsten Market

The Tungsten price has remained relatively stable since it achieved decade-high prices of US$355 per MTU of Ammonium Paratungstate (APT) in May 2022, with prices between US$310-340 per MTU during the quarter. While trading volumes have been lower during the quarter as stockpiles levels are further reduced, the price has remained relatively strong ahead of an expected pick-up in demand following the European summer holiday period.

[2] *Refer to Forward Looking Statements in ASX announcement dated 26 June 2023*

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Market conditions continue to look strong in the second half 2023, with growth in demand expected to continue from the defence, construction, mining and energy sectors, and supply continuing to look subdued, with Dolphin being the only new significant supply entering the market in 2023.

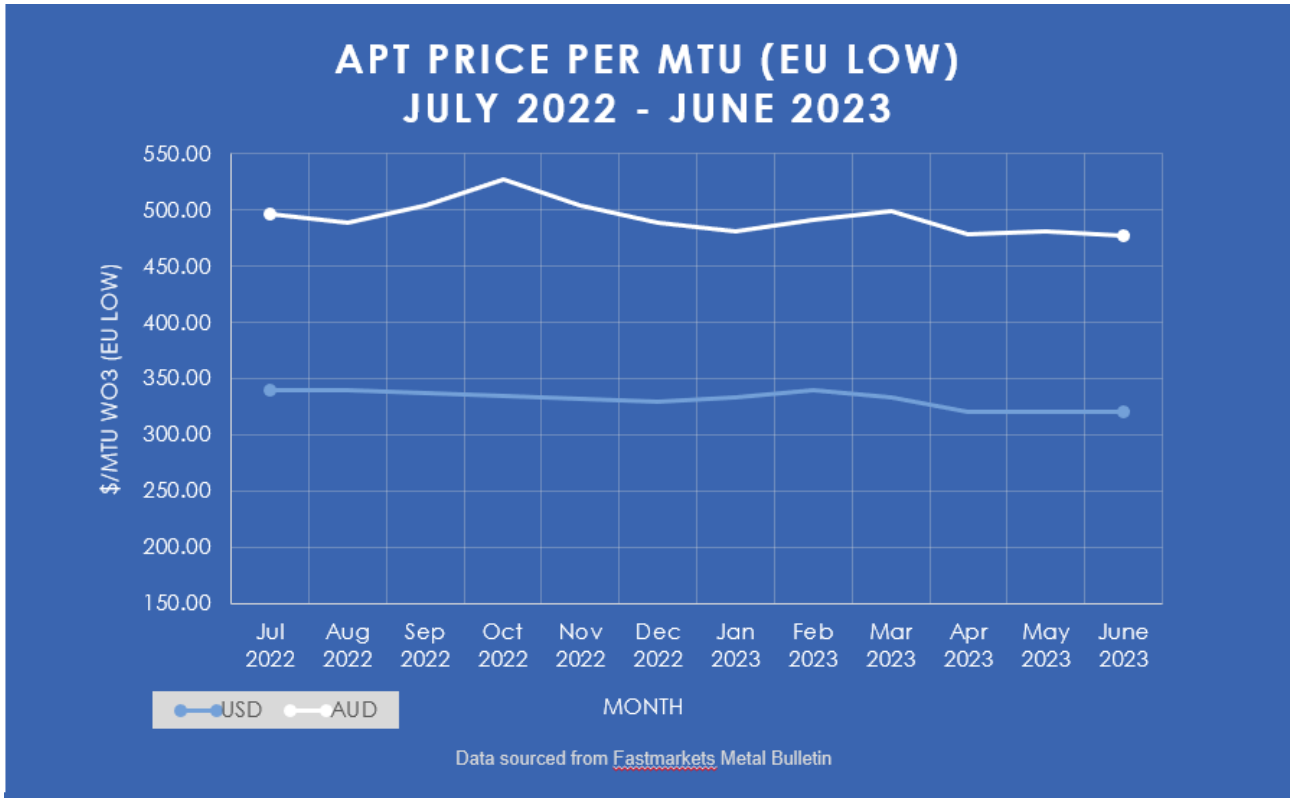

Figure 7 – APT CIF Rotterdam Price over 12 months

Corporate

During the quarter, the Company secured binding commitments from new and existing sophisticated, professional and institutional investors to raise $27 million (before costs) (the "Placement"). The Placement comprised cash consideration of $24 million and conversion of $3 million of unsecured debt provided by entities of key shareholders Chris Ellis, Richard Chadwick and Dale Elphinstone ("Cornerstones") since 31 March 2023, resulting in aggregate issuance of 193.1 million new shares.

Of the $24 million to be raised from the Placement through the issuance of new shares, the Cornerstones committed $4 million each ($12 million in aggregate). Major shareholder D.A.CH.S. Capital AG also committed $2.8 million as part of the Placement.

The Placement comprised an unconditional tranche of 156.9 million New Shares at $0.14 per share to raise c.$21.9 million, utilising the Company's existing placement capacity under ASX Listing Rule 7.1 and 7.1A, and a conditional tranche to Chris Ellis, Johann Jacobs and Keith McKnight (for whom, as Group 6 Metals directors, shareholder approval was needed at an Extraordinary General Meeting (EGM) in line with ASX Listing Rule 10.11) to issue 36.2 million shares at $0.14 per share to raise $5.1 million. Shareholder approval of the conditional tranche was granted at an EGM held on 15 June 2023.

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All participants in the Placement and Share Purchase Plan (detailed further in this announcement) received two free options for every three new shares subscribed for with an exercise price of A$0.21 and an expiration date of 30 June 2025. The Options are free attaching such that they have been issued for nil cash consideration, and their issuance has been approved by shareholders at the EGM.

The Company also gained strong support from eligible G6M shareholders through a Share Purchase Plan ("SPP") announced to the ASX at the same time as the Placement. Under the SPP, eligible G6M shareholders were offered the opportunity to apply for up to A$50,000 of additional shares per eligible shareholder without incurring brokerage or transaction costs. The offer was partially underwritten to raise a minimum of $3 million.

The offer was strongly supported, and the Company accepted valid shareholder applications totalling $3.72 million. This will result in the issue of 26,582,953 shares at an offer price of $0.14 per share, which is the same issue price as the recently completed Placement.

Funds raised under the SPP and the Placement will strengthen the Company's balance sheet and working capital position as it progresses the initial ramp-up phase ahead of anticipated steady-state production expected in Q3/Q4 CY23. They will also accelerate the feasibility studies for the Bold Head mine development, downstream processing and the integration of renewable energy into the current power supply for the mine.

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Cash Position

The Company's cash position as at 30 June 2023 was $9.0 million. A further $4.2 million was received in July following the closure of the Share Purchase Plan.

Licences and Leases

The Company holds the following licences and leases as at 30 June 2023:

	Interest
Exploration Licence EL19/2001 at Grassy, King Island (63 sq kms) (expires 14 December 2024)	100%
Mining Lease CML 2080P/M at Grassy, King Island (566 hectares) (Expires 5 June 2029)	100%

There have been no mining tenements acquired or disposed of during the Quarter.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of Appendix 5B includes cash payments of $230k in director's fees and remuneration.

Performance Options

The second tranche of performance options issued to Directors Johann Jacobs, Chris Ellis and Greg Hancock, as approved by shareholders at the Annual General Meeting held on 8 January 2021, have now vested upon the successful first shipment of tungsten concentrate.

Approved by the Board of Group 6 Metals Limited.

For more information, please contact:

Keith McKnight
Managing Director & CEO
keithm@g6m.com.au
+61 (0) 410 635 251

Tim Dohrmann
Media & Investor Relations
tim@nwrcommunications.com.au
+61 (0) 468 420 846

About Group 6 Metals

Group 6 Metals Limited (ASX: G6M), previously known as King Island Scheelite Limited (ASX: KIS), is an Australian resources exploration, development and production company. The Company's name honours tungsten as Group 6 Metals' first commodity project (The Dolphin Tungsten Mine) in production, as tungsten is a member of Group 6 of the periodic table along with chromium and molybdenum, as well as being a critical mineral and a geopolitically strategic resource.

The Company is focused on producing high grade tungsten concentrate from its 100%-owned Dolphin Mine on King Island, Tasmania. The Company's mid-term objective is to investigate opportunities to value-add the product for supply into the upstream tungsten industry.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GROUP 6 METALS LIMITED

ABN	Quarter ended ("current quarter")
40 004 681 734	30 June 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(273)	(345)
	(b) development	(6,799)	(9,660)
	(c) production	(4,576)	(4,576)
	(d) staff costs	(403)	(885)
	(e) administration and corporate costs[i]	(1,984)	(3,432)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	23	78
1.5	Interest and other costs of finance paid	(545)	(1,657)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,642	1,642
1.8	Other (provide details if material)	159	163
1.9	**Net cash used in operating activities**	**(12,755)**	**(18,671)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment including development costs	(4,714)	(56,162)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	51	51
2.6	**Net cash used in investing activities**	**(4,662)**	**(56,110)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	24,110	48,954
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,942)	(2,153)
3.5	Proceeds from borrowings	3,000	36,000
3.6	Repayment of borrowings & leases	(2,674)	(3,267)
3.7	Prepaid transaction costs related to loans and borrowings	-	(250)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from financing activities**	**23,244**	**79,284**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,205	4,529
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,755)	(18,671)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,662)	(56,110)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	23,244	79,284

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**9,032**	**9,032**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	587	604
5.2	Call deposits	8,445	2,601
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**9,032**	**3,205**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	230
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments made to Directors and their associated entities – Directors' fees $14,586; Consulting fees $100,450.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	43,800	43,800
7.2	Credit standby arrangements	-	-
7.3	Other (Mobile fleet finance facility)	10,220	8,364
7.4	**Total financing facilities**	54,020	52,164

7.5	**Unused financing facilities available at quarter end**	1,856

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender	Facility Type	Finance Amount	Interest Rate	Maturity date	Secured/ unsecured
Pure Asset Management Pty Ltd	Convertible debt	$10,000,000	8.25%	08/11/2024	Secured
Chrysalis Investments Pty Ltd ATF The Ellis Family Trust	Debt	$4,000,000	8.25%	42 months from practical completion of the Dolphin Project	Secured
Chrysalis Investments Pty Ltd ATF The Ellis Family Trust	Convertible debt	$4,500,000	6.5%	42 months from practical completion of the Dolphin Project	Secured
Elphinstone Holdings Pty Ltd	Convertible debt	$5,000,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
D.A.CH.S AG	Convertible debt	$3,000,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
Abex Limited	Convertible debt	$6,500,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
Tasmanian Government Loan	Debt	$10,000,000	variable	7 years from drawdown	Secured
Ballarat & Clarendon College Ltd (BCC)	Debt	$800.000	Variable	10 years from drawdown	Secured
OEM Financier	Mobile mining fleet facility	$10,220,000	various	48 months from drawdown	Unsecured

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(12,755)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) *Capitalised development costs	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(12,755)
8.4	Cash and cash equivalents at quarter end (item 4.6)	9,032
8.5	Unused finance facilities available at quarter end (item 7.5)	1,856
8.6	Total available funding (item 8.4 + item 8.5)	10,888
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.85

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No. The entity has just completed the development of the Dolphin mine and processing plant. It has now moved into a production phase resulting in increased operating costs and decreased construction costs. In addition, revenue will increase as regular shipments of concentrate are made.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes. The entity intends to secure short term debt financing to cover the start-up phase until a regular revenue stream is in place.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. This is due to the anticipated revenue stream, short term debt financing and decreasing construction costs.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2023

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

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Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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